

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)	
WHOLESALE WATER SERVICE)	CASE NO. 2005-00174
RATES OF HOPKINSVILLE WATER)	
ENVIRONMENT AUTHORITY)	

COMMISSION STAFF'S SECOND INFORMATION REQUEST
TO HOPKINSVILLE WATER ENVIRONMENT AUTHORITY

Hopkinsville Water Environment Authority ("HWEA") is requested, pursuant to 807 KAR 5:001, to file with the Commission no later than October 21, 2005, the original and 8 copies of the following information, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the June 2005 Black & Veatch Report on Revenue Requirements, Costs of Service and Rates for Water Service for the Hopkinsville Water Environment Authority Water Department ("Cost-of-Service Study"). Provide all schedules used in the Cost-of Service Study on a computer diskette in Microsoft Excel 97 format.

2. a. Provide a revised Cost-of-Service Study using the financial information for the fiscal year ending June 30, 2004 with adjustments for known and measurable changes. State all assumptions, show all calculations, and provide all workpapers used to prepare this revised Cost-of-Service Study.

b. Provide all schedules used in the revised Cost-of Service Study on a computer diskette in Microsoft Excel 97 format.

3. Refer to HWEA's 2004 Annual Financial Report. The financial statements shown in the 2004 audit reflect the combined water and wastewater departments. Provide a balance sheet, an income statement, and a statement of retained earnings that include only the water department.

4. Refer to HWEA's Response to Commission Staff's First Information Request ("Staff's First Request"), Item 10. State when HWEA expects the FY2005 Audit to be completed.

5. a. Refer to HWEA's Response to Staff's First Request, Item 10. When the audited financial information for the fiscal year ending June 30, 2005 is available, provide a revised Cost-of-Service Study using that fiscal year with adjustments for known and measurable changes. State all assumptions, show all calculations, and provide all workpapers used to prepare this revised Cost-of-Service Study.

b. Provide all schedules used in the revised Cost-of Service Study on a computer diskette in Microsoft Excel 97 format.

6. Refer to HWEA's Response to Staff's First Request, Item 2. Provide the requested financial statements when available. Include the statements for the water department only.

7. The filing requirements for forecasted or budgeted financial information to support an increase in rates are set forth in KRS 278.192 and 807 KAR 5:001, Section 8. Explain why the Commission should not require HWEA to comply with these requirements for any proposed rate adjustment that is based upon future or projected operations.

8. Refer to table 14 of the Cost-of-Service Study at line 15, Payments to the Christian County Water District (“Christian Water”). The stated purpose of payments to Christian Water is for reimbursements for overpayments as explained on page 12 of the Cost-of-Service Study. Explain why a portion of this payment is allocated to the wholesale customer, Christian Water.

9. Refer to HWEA’s Response to Staff’s First Request, Item 19, the Direct Testimony of J. Rowe McKinley in the Public Hearing on Proposed Water and Wastewater Rates 2001, Water Department of Philadelphia, Pennsylvania at 65. Explain how the proposed rate schedule is consistent with Mr. McKinley’s position that “Practicability also requires that rates be reasonably simple in application and subject to as few misinterpretations as possible.”

10. Provide all HWEA budget instructions, assumptions, directives, manuals, policies and procedures, timelines, and descriptions of budget procedures.

11. Describe the process that HWEA uses to plan and approve construction projects.

12. a. For each construction project that HWEA has commenced since January 1, 2000 through December 31, 2004, provide the following in the format set forth in Schedule 1:

- (1) Project number.

- (2) Project title and description.
- (3) Annual actual cost.
- (4) Annual original budgeted cost.
- (5) Variance between annual actual cost and annual original budgeted cost in dollars.
- (6) Variance between annual actual cost and annual original budgeted cost as a percentage.
- (7) Percentage of total construction budget that proposed project comprises for the budgeted year.
- (8) Total actual project cost.
- (9) Total budgeted project cost.
- (10) Variance between total actual project cost and total budgeted project cost.
- (11) Date the original budget projected the project to start.
- (12) Date the original budget projected the project to be completed.
- (13) Date construction of project actually commenced.
- (14) Date construction of the project was actually completed.

b. For each project in which a variance between actual and budgeted cost occurred or in which a delay in its start or completion occurred, describe the variance or delay and the reasons for such variance or delay .

13. Provide all correspondence between HWEA and Black & Veatch regarding the preparation or review of the Cost-of-Service Study and the development of the proposed wholesale rate.

14. Refer to HWEA's Response to Christian Water's First Information Request, Item 9(b). Explain why it is reasonable or appropriate for the Commission to establish a wholesale rate to be assessed to Christian Water for service rendered on or after February 13, 2006 that is based in part on the costs related to the Lake Barkley raw water main, which is not likely to be completed and placed into service until late 2006 or 2007.

15. State whether Mr. McKinley agrees that when using a forecasted test period, the reliability and accuracy of HWEA's budgeting and forecasting processes are critical factors in obtaining reasonable rates that reflect the actual cost of service.

16. State whether Mr. McKinley agrees that a critical assumption upon which HWEA's Cost-of-Service Study is based is that HWEA's and Black & Veatch's budgeting and forecasting processes are reliable and accurate.

17. State whether Mr. McKinley reviewed the reliability and accuracy of HWEA's budgeting process. If Mr. McKinley has conducted such review, describe the nature of Mr. McKinley's review.

18. At page 3 in his Direct Testimony, Mr. McKinley states that HWEA used the 5 years of historical data and the operating budget for the fiscal year ending June 30, 2005 to project revenues and expenses for fiscal years 2005 through 2009.

a. Provide all analyses and studies on the reasonableness and accuracy of the methodology that HWEA used to develop its forecast for its fiscal year ending June 30, 2006 financial statements.

b. Provide a comparison of HWEA's operating budget for fiscal year ending June 2005 with the Cost-of-Service Study forecast of the same period.

19. Refer to HWEA's General Ledger for the Fiscal Year ending June 30, 2004. For each item listed in Schedule 1 of this Information Request, provide a complete description of the expenditure and all supporting invoices.

20. For each listed operating expense account, state whether any of the account has been allocated to Christian Water. If any of the account has been allocated to Christian Water, state the amount that has been allocated and explain why.

- a. Account No. 7090 – Repairs to Services.
- b. Account No. 7100 – Repairs to Meters.
- c. Account No. 8030 – Meter Reader Salaries.


Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

Dated: October 7, 2005

cc: Parties of Record

HWEA
CASE NO. 2005-00174
GENERAL EXPENDITURES

Schedule 1

Witness Responsible: _____

<u>Ledger</u>	<u>Account</u>			
<u>Date</u>	<u>Number</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
01/27/04	8080	Trevecca Nazarene University		\$ 2,284.00
08/01/03	8080	North America Administrators		\$ 975.00
06/21/04	8080	Trevecca Nazarene University		\$ 2,334.00
07/18/03	8090	Frost Brown Todd LLC		\$ 880.08
07/25/03	8090	Deatherage, Myers, Self & Lack		\$ 1,777.08
08/25/03	8090	Deatherage, Myers, Self & Lack		\$ 1,046.04
09/25/03	8090	Deatherage, Myers, Self & Lack		\$ 2,050.97
10/25/03	8090	Deatherage, Myers, Self & Lack		\$ 1,359.05
11/25/03	8090	Deatherage, Myers, Self & Lack		\$ 1,269.51
12/25/03	8090	Deatherage, Myers, Self & Lack		\$ 768.30
12/02/03	8090	York, Neel & Co.-Hopkinsville		\$ 8,925.00
01/25/04	8090	Deatherage, Myers, Self & Lack		\$ 860.58
02/25/04	8090	Deatherage, Myers, Self & Lack		\$ 1,134.93
03/25/04	8090	Deatherage, Myers, Self & Lack		\$ 2,478.12
04/25/04	8090	Deatherage, Myers, Self & Lack		\$ 1,472.88
05/25/04	8090	Deatherage, Myers, Self & Lack		\$ 1,127.63
06/25/04	8090	Deatherage, Myers, Self & Lack		\$ 1,046.58
09/26/03	6050	Chemical Feed Systems Inc		\$ 2,222.68
10/01/03	6050	Chemical Feed Systems Inc		\$ 1,926.42
11/24/03	6050	Morton Mechanical		\$ 1,025.80

<u>Ledger Date</u>	<u>Account Number</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
01/23/04	6050	D & D Control Specialist		\$ 1,463.00
02/01/04	6050	D & D Control Specialist		\$ 1,463.00
01/12/04	6070	D & D Control Specialist		\$ 1,476.00
02/19/04	6070	D & D Control Specialist		\$ 838.00
02/19/04	6070	D & D Control Specialist		\$ 1,563.00
02/23/04	6070	D & D Control Specialist		\$ 938.00
02/27/04	6110	Holland Electric Company		\$ 1,160.68
02/17/04	7080	C.I. Thornburg Co Inc		\$ 1,529.92
02/24/04	7080	Mccraw Excavating		\$ 2,400.00
02/24/04	7080	Isco Industries LLC		\$ 2,672.50
02/26/04	7080	Isco Industries LLC		\$ 1,067.59
02/23/04	7080	E*Vac		\$ 1,650.00